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April 6, 2021

Section 301 Committee

Office of the U.S. Trade Representative

600 17th St., N.W.

Washington, D.C 20006

Dear Members of the Section 301 Committee,

Thank you for the opportunity to submit comments with regard to the Proposed Action in Section 301 Investigation of Austria's Digital Services Tax (USTR-2021-0002). I am writing to request that our company's products be removed from USTR's list of products being considered for additional tariffs. The products for your consideration include: HTSUS 9005.10.00 (Binoculars) and HTS 9005.80.40 (Optical telescopes, including monoculars). Unfortunately, even at the minimum levels proposed, the suggested tariffs on our products would inflict economic harm on our company and its U.S. business partners, at a sensitive time. Nor would tariffs on our business have the potential to return the revenue as intended through this measure.

Swarovski Optik North America, Ltd. ("SONA"), was incorporated in Rhode Island in 1990. Its mission to purchase, assemble and distribute optical products, and specifically, binoculars, spotting scopes, and rifle scopes for outdoor and sporting activities. The Swarovski name is highly respected and our company is one of only three world-class optics providers globally.¹ The company employs 106 people at its Rhode Island headquarters and across the U.S. Throughout the pandemic, SONA has successfully maintained all of the staff on its payroll.

Swarovski offers unmatched quality in optics and due to our business model, it would be impossible for our company to source these products from any other manufacturer in the world. The lynch pin of the U.S.-based SONA is the line of specialty optics manufactured by our parent company, Swarovski Optik (Absam, Austria). This company was founded in 1949 and specializes in the development and manufacturing of long-range optical instruments, inspired by Wilhelm Swarovski, an avid hobby

¹ Alongside Leica and Zeiss.

astronomer who set the standard in creating a state-of-the-art binocular to be "closer to the stars." In 1999, the Swarovski Optik EL binocular, featuring the world's first wrap-around grip, captured Field and Stream Magazine's Best of the Best Award, making it the development of the decade.

The proposed tariffs on binoculars and optical telescopes would impact two major product categories representing 50% of SONA's business. Unfortunately, the proposed tariffs would severely impact not only our business, but also hundreds of suppliers, business partners, employees, customers, and their families.

SONA products reach U.S. consumers through a network of approximately 850 retailers nationwide. SONA's business partners include many well-known national chains such as Bass Pro Shops, Cabela's, Sportsman's Warehouse, and LL. Bean, as well as hundreds of "brick and mortar" stores and the e-commerce sector. These companies also have been affected by the global pandemic, and cannot afford increases that tariffs would force on them.

If our company's imports were subjected to additional tariffs, it is very likely that we would see an outcome similar to what transpired in the U.S. steel industry. Business leaders in this sector reported that soon after tariffs were imposed on June 1, 2019, their costs shot up overnight, making it harder to remain competitive. Unfortunately, our company's leadership expects that this situation would occur at SONA, even with minimal tariffs imposed. Similar to the manner in which companies in the steel industry tried to absorb cost increases, it's likely that we would be forced to pass some of the cost along to our network of dealers and customers, in order to sustain our operations. It is very likely that even our most loyal customers could not afford to pay more for premium products, and may turn to lower-quality imports. This could result in a decline in orders, among products directly affected by tariffs, as well as those not directly affected.

Throughout the COVID-19 crisis, SONA diligently kept all SONA employees on the payroll despite the impact of the crisis on our business. Tariffs on the listed products would likely result in sharp declines in sales across product lines, requiring layoffs and scaling back of operations in order to continue as a business. The result would be a fast-moving downward spiral that, once started, would be difficult, if not impossible, to correct. It would be disheartening to lose our valued employees that we have worked so hard to keep, and tariffs would not generate sufficient revenues. Far from creating a level playing field, the combined burden of the tariffs and COVID-19 crisis would irreparably harm the optics sector, in a very short time, to the point where the ability to pay tariffs would be reduced to almost zero.

I respectfully ask that you omit the above-mentioned items from the list of proposed products to be subject to a tariff related to the Investigation of Austria's Digital Services Tax and resolve the matter through negotiations. Thank you for your consideration.

Sincerely,



Albert Wannenmacher

Chief Executive Officer